MULTIMEDIA UNIVERSITY

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016 / 2017 SESSION

DEC5028 – MACROECONOMICS
(All sections / Groups)

31 May 2017
2.30PM – 4.30PM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **8** pages with 3 sections.

2. Answer **ALL** questions for sections A, B and C.

3. Answers for section A should be shaded on the OMR sheet provided.

4. For sections B and C, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS
Each question consists of 2 marks. Answers for this section should be shaded on the OMR sheet provided.

1. Which of the following is **NOT** macroeconomics major concern?

    A. Business cycle.
    B. Unemployment.
    C. Output growth.
    D. Inflation.

2. The three market arenas consists of _____.

    I. Labor market
    II. Goods and services market
    III. Black market
    IV. Money market

    A. I, II and III
    B. I, III and IV
    C. I, II and IV
    D. II, III and IV

3. Transfer payment is a cash payment made by _____ to _____ who do not supply goods, services, or labor in exchange for these payments.

    A. the government; firms
    B. firms; the government
    C. the government; household
    D. household; government

4. A government policy concerning tax and government spending is called as _____.

    A. monetary policy
    B. fiscal policy
    C. education policy
    D. internal policy

5. _____ is a phrase used to refer to the government's role in regulating inflation and unemployment.

    A. Fine-tuning
    B. Stagflation
    C. The great depression
    D. Recession

Continued...

6. Which of the following is determined in the labor market?

    A. Price of goods and services.
    B. Wage rates.
    C. Interest rates.
    D. Exchange rates.

7. Which of the following is the function of money?

    A. Unit of account.
    B. Liquidity.
    C. Fiat money.
    D. Commodity money.

8. The decrease in the value of money that occurs when its supply is increased rapidly is known as _____.

    A. monetary policy
    B. required reserve
    C. money multiplier
    D. currency debasement

9. What is the tool used by Bank Negara Malaysia to control money supply and interest rates?

    A. Open market operation.
    B. T-account.
    C. Official settlement account.
    D. Balance of payment.

10. When Fatihah decided to keep her RM 1,000,000 under the mattress, she is directly controlling the _____.

    A. Monetary base
    B. Desired reserves
    C. Desired currency holding
    D. Money multiplier

11. Kayla transfers RM500 from her saving account to her checking account. This transaction will _____.

    A. not change M1 and decrease M2
    B. increase M1 and not change M2
    C. increase both M1 and M2
    D. decrease both M1 and M2

Continued...

12. When the money supply curve shifts to the right, the interest rates will _____ .

    A. increase
    B. decrease
    C. not change
    D. moves along the supply curve

13. The long-run aggregate supply (LAS) is vertical at potential GDP because _____ .

    A. potential GDP is independent of the price level
    B. the quantity of real GDP supplied has negative relationship with the price level
    C. the wage rate increases
    D. the price of raw materials decreases

14. Which of the following will affect the household buying plan?

    A. The increase in the price of raw materials.
    B. Potential GDP increases.
    C. Decrease in cost of production.
    D. Household expectation of future income increases.

15. A full-employment equilibrium means that _____ .

    A. real GDP equals potential GDP
    B. real GDP exceeds potential GDP
    C. potential GDP exceeds real GDP
    D. real GDP equals aggregate demand

16. An inflation that starts with an increase in costs is called _____ .

    A. demand-pull inflation
    B. hyperinflation
    C. cost-push inflation
    D. deflation

17. If a country have larger imports than exports, then the country's aggregate demand will likely to _____ .

    A. remain constant
    B. move along the curve
    C. increase
    D. decrease

Continued...

18. Which of the following is the factor that influence demand for Ringgit Malaysia?

    I. Japan demand for Malaysia exports.
    II. Malaysia demand for Japanese products.
    III. Higher interest rates differential in Malaysia.
    IV. Increases aggregate demand in Malaysia.

    A. I and II
    B. I and III
    C. II and III
    D. III and IV

19. A currency exchange rates will increase if _____.

    A. The supply curve shifts rightward
    B. The demand curve shifts leftward
    C. The demand curve shifts rightward
    D. The supply curve does not shift.

20. When a country experienced a negative value of balance of trade, it means that the country should _____.

    I. increase its export
    II. increase its import
    III. decrease its export
    IV. decrease its import

    A. I and II
    B. II and III
    C. III and IV
    D. I and IV

21.

Current Account	RM Billions
Exports	2000
Imports	1500
Investment income	850
Investment payment	680
Transfer income	150
Transfer payment	300

Table 1

Based on information given in Table 1, the balance on current account is _____.

    A. RM 500 billions
    B. RM 520 billions
    C. RM 5480 billions
    D. RM 480 billions

Continued...

22. Daniel is a Malaysian citizen. When Daniel demand for Australian Dollars, he also supplied _____.

    A. Malaysian Ringgit
    B. Japanese Yen
    C. Singaporean Dollar
    D. Indonesian Rupiah

23. Below are the reasons why Malaysian citizens supply Ringgit Malaysia currency in the foreign exchange market, **EXCEPT** _____.

    A. spending on imported goods from Italy
    B. travelling to Japan
    C. shopping spree in Langkawi
    D. cash remittance to Indonesia

24. Any transaction that causes foreign exchange to enter Malaysia is a _____.

    A. credit item in Malaysia balance of trade
    B. debit item in Malaysia balance of payments
    C. credit item in Malaysia balance of payments
    D. debit item in Malaysia balance of trade

25. Which of the following is an item in Japan capital account?

    A. Net investment income.
    B. The change in private Mexico assets abroad.
    C. Exports of services.
    D. Net transfer payments.

[TOTAL 50 MARKS]

SECTION B: CASE STUDY
Please refer to the article below to answer the questions. Answers for this section should be written in the answer booklet provided.

Higher unemployment rate likely to be the norm

The number of workers retrenched per year is estimated at between 40,000 and 60,000. The unemployment rate is 3.5% or about 550,000. By and large, it essentially boils down to companies closing down due to various reasons such as adapting to new technologies that require less human capital.

One of the reasons for the Employment Insurance Scheme (EIS) is that agencies anticipate a growing number of working adults being put out of a job. Under the EIS, they would get some form of financial compensation for six months. The government believes the insurance scheme has been proven to act as an "economic stabiliser" and helped sustain the economy in countries that have adopted it, especially during a crisis. The scheme will also help improve the labour market's efficiency by making companies more competitive, which will result in increased productivity.

Malaysia is not alone in wanting to move its economy up the value chain from manufacturing to a services-oriented economy. In the process, there will be increasing use of machines to replace human skills. Human capital will be less important. It started with factory production floors and now has gone on to even managing money.

Eventually, as companies strive to be more competitive and reduce cost in the process, more people will be without jobs. The unemployment rate should go up.

(The article is adapted from: The Star Online, 15ᵗʰ April 2017)

a)   What is the main reason for higher numbers of workers retrenched?   (2 marks)

b)   Identify **THREE (3)** benefits of the Employment Insurance Scheme (EIS).   (6 marks)

c)
> *"In the process, there will be increasing use of machines to replace human skills. Human capital will be less important. It started with factory production floors and now has gone on to even managing money."*

In your opinion, what is the type of unemployment for statement above?   (2 marks)

[TOTAL 10 MARKS]

Continued...

SECTION C: STRUCTURED QUESTIONS
Answers for this section should be written in the answer booklet provided.

QUESTION 1

a)

Items	RM (Millions)
Durable goods	550
Employees compensation	780
Export	80
Federal Government Expenditure	300
Import	60
Inventory	50
Local Government Expenditure	170
Non-durable goods	250
Non-Residential Investments	480
Personal Income Tax	70
Proprietors' Income	150
Residential Investments	450
Services	90
State Government Expenditure	260

Table 1

Calculate the country's Gross Domestic Product (GDP) using expenditure approach. (6 marks)

b)

Products	2015 (Base year)		2016	
	Price per Kg	Q	Price per Kg	Q
Cotton	RM50	1000	RM80	800
Corn	RM15	500	RM20	350

Table 2

Supposed a country only produced cottons and corns. Based on the table above, calculate:

i)   Nominal GDP for 2015 and 2016.   (6 marks)

ii)   Real GDP for 2015 and 2016.   (6 marks)

iii) GDP deflator for 2016.   (2 marks)

Continued...

QUESTION 2
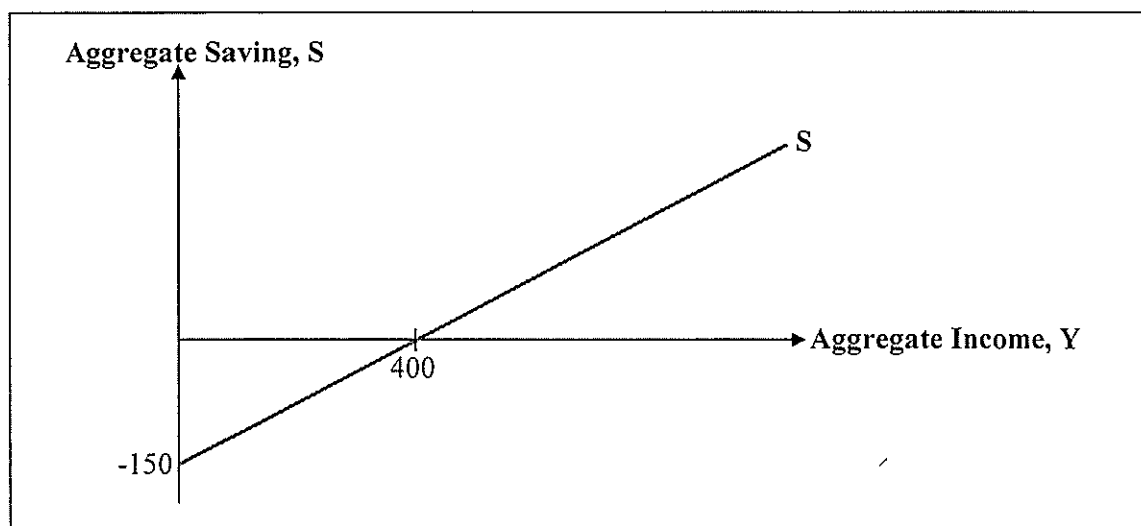
Figure 1

Aggregate Output (Income)	Aggregate Consumption, (C)	Aggregate Investment, (I)	Government Spending, (G)	Aggregate Expenditure, (AE)
50		50	70	
100		50	70	
150		50	70	
200		50	70	
250		50	70	
300		50	70	

Table 3

Based on information given in Figure 1 and Table 3, calculate aggregate consumption and aggregate expenditure.   (10 marks)

QUESTION 3

List and explain the **THREE (3)** factors that could increase a country's labor productivity.
                                 (10 marks)

[TOTAL 40 MARKS]

End of Page.